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The Supreme Court of the United States

OCTOBER TERM, 1945

No. 288

WILLIAM E. BAKER and MARTHA D. BAKER,
Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FOURTH CIRCUIT

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To the Honorables, the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Your petitioners, William E. Baker and Martha D. Baker, respectfully pray that a writ of certiorari issue to review the final order and decision of the United States Circuit Court of Appeals for the Fourth Circuit, entered on the 10th day of May, 1945, affirming a decision of the Tax Court of the United States, entered on the 14th day of November, 1944, finding that there were deficiencies against these petitioners in income taxes in the respective principal amounts of $403.70, $516.07

and $1,265.43, for the respective calendar years 1939, 1940 and 1941. An order has been entered staying the mandate pending this application.

RECORD AND OPINIONS BELOW

There is presented with this petition a certified transcript of the record in the case, including the proceedings in the court to which the writ is asked to be directed. Included in such transcript is the printed record, consisting of appendix to the brief of petitioners filed in the Circuit Court of Appeals, and references to the record hereinafter set forth are to the pages of such printed record. There is filed with this petition stipulation of counsel for petitioners and respondent that subject to the approval of the Court such appendix and proceedings in the Circuit Court of Appeals may constitute the printed record upon this petition. The decision and opinion of the Tax Court (the latter being reported as 4 T. C. No. 39) appear on pages 3 to 13 of the printed record; the stipulation of facts appears in the printed record on pages 14 to 16; the opinion and decision of the Circuit Court of Appeals (the opinion being not yet officially reported) appear in the transcript of the record.

JURISDICTION

The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code, as amended by the Act of February 13, 1925 (Chap. 229, 43 Stat. 936, 28 U.S.C.A. 347).

STATUTE INVOLVED

The issue here involved concerns the constitutionality of Section 22(a) of the United States Internal

Revenue Code, as amended by the Act approved April 12, 1939, commonly called the Public Salary Tax Act, in so far as it purports to tax the salary of a United States District Judge appointed prior to June 6, 1932, said Section 22(a) reading as follows, (the pertinent amendment thereto by said Public Salary Tax Act being the last sentence thereof, here set forth in italics), that is to say:

> "(a) 'Gross income' includes gains, profits, and income derived from salaries, wages, or compensation for personal service (including personal service as an officer or employee of a State, or any political subdivision thereof, or any agency or instrumentality of any one or more of the foregoing), of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever. In the case of Presidents of the United States and judges of courts of the United States taking office after June 6, 1932, the compensation received as such shall be included in gross income; and all Acts fixing the compensation of such Presidents and judges are hereby amended accordingly. *In the case of judges of courts of the United States who took office on or before June 6, 1932, the compensation received as such shall be included in gross income.*"

STATEMENT OF THE MATTER INVOLVED

Neither in departmental nor judicial procedure below is any procedural question, or factual issue, pre-

sented. All facts are stipulated. (Printed Record, pp. 14, 16).

The petitioner, William E. Baker, was duly appointed and qualified as United States District Judge for the Northern District of West Virginia on April 3, 1921, continuing at all times since in that capacity. Upon his personal income tax return (jointly made with Martha D. Baker, his wife) he set forth the fact that he had received for each of the years 1939, 1940 and 1941, the official compensation of such judge in the annual amount of $10,000.00 but did not include such amount as gross taxable income, claiming that it was exempt for reasons hereinafter set forth. The respondent, Commissioner of Internal Revenue, included such amounts in gross income for the respective years and imposed deficiencies in tax; all of which deficiencies and the taxes in controversy are attributable to inclusion in gross taxable income of the official compensation so received. (Printed Record, p. 15). Upon assessment of the deficiencies, appeal was duly taken to the Tax Court which, by a divided membership, upheld the imposition of the tax. (Majority opinion, Printed Record, p. 4, dissenting opinion, Printed Record, p. 12). Appeal being taken to the Circuit Court of Appeals of the Fourth Circuit, the decision of the Tax Court was affirmed on May 10, 1945.

QUESTIONS PRESENTED

(1) Is the inclusion, as gross taxable income, of the salary of a District Judge, qualifying on April 3, 1921, a diminishment of the stated compensation of a Federal judge during his continuance in office in violation of Article III, Section 1 of the Constitution of the United States?

(2) Is Section 22(a) of the United States Internal Revenue Code, as amended by the Act approved April 12, 1939, commonly called the Public Salary Tax Act, in so far as it purports to tax the compensation of judges of Courts of the United States who took office on or before June 6, 1932, unconstitutional as violating the above Article and section of the Constitution?

REASONS RELIED ON FOR ALLOWANCE OF THE WRIT

(1) The Circuit Court of Appeals has decided a Federal question in a way probably in conflict with applicable decisions of this Court, to-wit:

(a) It has decided that the salary of a United States District Judge may be subjected to tax under an income tax statute enacted after the appointment and qualification of such judge, such being inconsistent with the decision of this Court of *Evans* v. *Gore,* 253 U. S. 245.

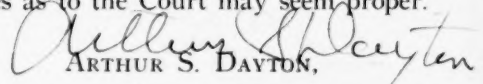
(b) It has decided, in conflict with the decision above cited of *Evans* v. *Gore,* that the imposition of an income tax upon official compensation of a United States District Judge does not constitute a diminution thereof, even though imposed by an Act passed subsequent to the appointment and qualification of such judge.

(c) It has decided that even though the salary of such judge during his continuance in office be freed of tax by Congressional repeal of the taxing statute, nevertheless a subsequent tax imposition is not a diminution thereof, such decision being in conflict with *Booth* v. *United States,* 291 U. S. 339.

(2) The Circuit Court of Appeals has decided a matter of great public interest and importance involving the status under Income Tax Law of the official compensation of all Federal judges of constitutional courts appointed prior to June 6, 1932, and such decision should be reviewed by this Court.

PRAYER

WHEREFORE, your petitioners pray that a writ of certiorari be issued out of and under the seal of this Honorable Court, directed to the Circuit Court of Appeals of the Fourth Circuit, commanding that Court to certify and send to this Court for its review and determination on a day certain to be named therein, a full and complete transcript of case numbered on its Docket No. 5358, and entitled William E. Baker and Martha D. Baker, Petitioners, v. Commissioner of Internal Revenue, Respondent, and that the judgment of the Circuit Court of Appeals for the Fourth Circuit entered on May 10, 1945, may be reversed, and the decision of the Tax Court of the United States entered on November 14, 1944, may be reversed, and these petitioners held not liable for the taxes in question, and that these petitioners may have such other and further relief in the premises as to the Court may seem proper.



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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

STATEMENT

Reference to the opinion below, a statement of the grounds upon which the jurisdiction of the Court is invoked, and a statement of the case, under appropriate headings, are set out in the foregoing petition, and to avoid duplication, are not repeated here.

SUMMARY OF ARGUMENT

(1) The imposition of an income tax upon the official compensation of a United States District Judge

taking office prior to the taxing Act is a diminution of such salary within the inhibition of Section 1, Article III of the Constitution of the United States.

(2) At the time that Judge Baker took office the Revenue Act of 1918 had been held unconstitutional and inoperative, and, in legal contemplation, there was no income tax statute in existence at such time applicable to his official compensation.

(3) If the Circuit Court of Appeals be correct in its conclusion that Judge Baker took office under a Congressional policy of taxing his salary (Revenue Act of 1918), such policy was reversed and his salary freed from income tax by the Revenue Act of 1929, and certainly by the Revenue Act of 1932, as stated by the Circuit Court of Appeals. Therefore, during his term of office there was a period in which no tax was imposable on his compensation and prior Congressional policy, the tax act having been repealed as aforesaid, becomes immaterial. The constitutional inhibition is *"during"* continuance in office. Accordingly, regardless of Judge Baker's taxable status at the time of his appointment, during his continuance in office his salary became tax free, and, accordingly, a subsequent tax imposition is barred by the Constitution.

ARGUMENT

It will perhaps make for clarity if the statutory history as to taxation of judicial salaries be considered, it being borne in mind that Judge Baker was appointed and qualified on April 3, 1921.

Prior to that date Section 213 of the Federal Income Tax Act of February 24, 1919, commonly called the Act of 1918, had imposed an income tax upon all sal-

aries, etc., "including in the case of * * * judges of the Supreme and inferior courts of the United States * * * the compensation received as such." On June 1, 1920, this Court, in *Evans* v. *Gore*, 253 U. S. 245, held such law unconstitutional, as applied to judges appointed prior to its enactment, because involving a diminishment of salary of a constitutional judicial officer in violation of Article III, Section 1 of the Constitution of the United States, providing as follows:

> "* * * The judges, both of the superior and inferior Courts, shall hold their Offices during good Behavior, and shall, at stated Times, receive for their Services, a Compensation which shall not be diminished during their Continuance in Office."

Thereafter the Revenue Act of 1921 (Section 1400(a)), generally repealed, as of January 1, 1921, the Revenue Act of 1918.

It is the contention of petitioner that, at the time of Judge Baker's appointment, there was no income tax whatever imposable, it being the contention of the respondent, adopted by the Circuit Court of Appeals, that the Revenue Act of 1921 was, for the purposes of this proceeding, a continuance of the Revenue Act of 1918. The repealing section reads in part as follows:

> "In the case of any tax imposed by any part of the Revenue Act of 1918 repealed by this Act, if there is a tax imposed by this Act in lieu thereof, the provisions imposing such tax shall remain in force until the corresponding tax under this Act take effect under the provisions of this Act." Section 1400(b).

Counsel respectfully urges that from the above quoted

language a conclusion must be drawn directly opposite to that of the learned Court below. The provision of the Act of 1918 is that a tax shall remain in force *until the corresponding tax under "this Act" shall take effect*. The language was merely to cover any interregnum between the two Acts, and when the Act of 1921 took effect, the latter was comprehensive and specifically repealed the Act of 1918. The repealing section in question further provides:

> "The parts of the Revenue Act of 1918 which are repealed by this Act shall (unless otherwise specifically provided in this Act) remain in force for the assessment and collection of all taxes which have accrued under the Revenue Act of 1918 at the time such parts cease to be in effect, and for the imposition and collection of all penalties or forfeitures which have accrued or may accrue in relation to any such taxes."

Such is a clear indication of the intent of Congress to repeal the Act of 1918 so far as any future operation is concerned. Of course, the taxes here involved are not assessed either under the Act of 1918 or the Act of 1921. The Act of 1921 was passed on November 23rd of that year, after Judge Baker's appointment. It accordingly follows:

(a) At the time of Judge Baker's appointment the Revenue Act of 1918, in so far as it purported to tax the salaries of judges appointed prior to its enactment, had been absolutely nullified by *Evans* v. *Gore*, on June 1, 1920.

(b) Section 1400(a) of the Revenue Act of 1921 repealed "Title II (called 'Income Tax')", of the Revenue Act of 1918, as of January 1, 1921, Title II, Sec-

tion 213 of the Revenue Act of 1918 being the section that had been held unconstitutional in *Evans* v. *Gore,* as applied to a judge appointed prior to its enactment. The Revenue Act of 1918, therefore, at the time of the appointment of Judge Baker had been held invalid, as to previously appointed judges, by the Supreme Court of the United States, on June 1, 1920, and was to be repealed by the Act of 1921 as of January 1, 1921, that date being prior to the appointment of Judge Baker.

However, it is entirely immaterial whether or not the Act of 1921 be considered a continuation of the Act of 1918, for reasons hereinafter discussed. Even if a status of taxability in the case of Judge Baker's salary were maintained from the time of his appointment to June 6, 1932, the Act of that date specifically eliminated taxation of salaries of judges appointed prior to its enactment.

(c) On June 1, 1925, the Supreme Court decided *Miles* v. *Graham,* 268 U. S. 501, 69 L. ed. 1067, to the effect that an income tax upon a Federal judge's salary was an unlawful diminution thereof, even though he were appointed subsequent to the taxing act. This case has been overruled by the later case of *O'Malley* v. *Woodrough,* hereinafter discussed, *but the Woodrough case does not affect the holding of Evans* v. *Gore.* Prior to this decision Section 213 of the Revenue Act of 1921 purporting to tax the salary of judges of inferior courts of the United States (but only applicable in the light of *Evans* v. *Gore* to after-appointed judges) was embodied without substantial change in Section 213 of the Revenue Act of 1924, and was carried into the Act of 1926, but in the Act of 1928 (Section 22) the specific inclusion of judges' salaries was omitted.

It was the position of the Tax Court that omission of the clause including Federal Judges' salaries in the Act of 1928 was of no significance because under general definitions such salaries would have been taxed to the extent constitutionally possible. The Tax Court cites the following from the Report of the Ways and Means Committee:

> "No changes are made in the general definition of gross income in section 22(a) except to omit as surplusage the following clause which appears in section 213(a) of the 1926 Act:
>
> " '(including in the case of the President of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and employees, whether elected or appointed, of the United States, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, the compensation received as such)'
>
> "In so far as any such compensation may be taxed under the Constitution, it is already included within the general definition in the bill."
>
> Report, Ways and Means Committee, 70th Cong., First Sess., 1939-1 C. B., Part 2, 392.

It is respectfully submitted that it is obvious that such conclusion may not be drawn. At the time of the passage of the Act of 1928 everyone considered (under *Evans* v. *Gore* and *Miles* v. *Graham*) that a judge's salary, whether appointed prior or subsequent to a taxing act, was not subject to income tax imposition. The inclusive reference that was omitted from the Act of 1928 went not only to the salary of judges, but to all other officers and employees, whether elected or appointed, of the United States and its dependencies, and it is clear that what the Ways and Means Committee meant in its Report was that *other salaries* were included

in the general definition, and the omission of the inclusive reference was to make it clear that salaries of judges who were under constitutional protection were not to be taxed. It is, therefore, respectfully submitted that the Act of 1928 repealed the previous inclusion of judges' salaries. This circumstance, however, is also immaterial because there can be no question that the salary of Judge Baker was freed of all tax by the Act of June 6, 1932.

There was complete absence of any imposition of income tax upon a Federal judge's salary until June 6, 1932, when the Revenue Act of that year was approved. Section 22 thereof provided for taxation of compensation of judges of the United States "taking office after the date of the enactment of this Act." It is significant that Congress recognized that such taxation affected the compensation of a judge, and diminished it, because Section 22(a) of the Act of 1932 goes further and provides that "all acts fixing the compensation of such Presidents and Judges are hereby amended accordingly." The provision in question reads as follows:

> "In the case of Presidents of the United States and judges of courts of the United States taking office after the date of the enactment of this Act, the compensation received as such shall be included in gross income; and all Acts fixing the compensation of such Presidents and judges are hereby amended accordingly."

This language was continued, without change, in Section 22(a) of the Act of 1934, Section 22(a) of the Act of 1936, and Section 22(a) of the Act of 1938. The same language was included in Section 22(a) of the Internal Revenue Code of 1939, being a part of Volume 53, Part 1 of the Statutes-at-Large passed at the first

session of the 76th Congress, approved on February 10, 1939.

There can be no possible question of the effect of the Act of 1932 in freeing Judge Baker's salary from any tax whatsoever under any possible conception of the statutory situation. The Act of 1932 did two things:

(a) It made taxable salaries of judges only after the date of its enactment; and

(b) It amended all acts respecting salaries accordingly.

There is, of course, no question that from June 6, 1932, until the passage of the Public Salary Tax Law, Congress had not imposed any tax upon compensation of judges appointed prior to June 6, 1932. For that period Judge Baker enjoyed a salary without any possibility of income tax, even if the extreme position be taken that the Act of 1918 was extended by successive income tax enactments to June 6, 1932, a position, as we submit, erroneous, but which, if admitted, does not help respondent's contention. It cannot be denied that between June 6, 1932, and 1939, there was specific immunity under Congressional enactment.

On April 12, 1939 (Public No. 32, 76th Congress, Chapter 59, first session), the so-called Public Salary Tax Act was passed. By Section 3 of that Act, Section 22(a) of the Internal Revenue Code relative to gross income was amended by adding a new sentence reading as follows:

> "In the case of Judges of the Courts of the United States who took office on or before June

> 6, 1932, the compensation received as such shall be included in gross income."

Section 209 of the Public Salary Tax Act reads as follows:

> "In the cases of Judges of the Supreme Court, and of the inferior courts of the United States, created under Article III of the Constitution, who took office on or before June 6, 1932, the compensation received as such shall not be subject to income tax under the Revenue Act of 1938 or any prior Revenue Act."

It was recognized that this Act was intended to tax judges' salaries after the year 1938, a specific provision being included in the Act to foreclose any interpretation that it was applicable to salaries prior to the year 1939, and, of course, it was recognized that the salaries of judges appointed prior to June 6, 1932, had theretofore been exempt. The Conference Report contains the following language:

> "The present law subjects to Federal income taxation the compensation of so-called 'constitutional' judges taking office after June 6, 1932, and the compensation of so-called 'legislative' judges whether appointed on, before, or after June 6, 1932. The amendment adds to the class of taxable judges only so-called constitutional judges appointed on or before June 6, 1932, because they are the only group of judges now exempt."

From the above summary it is to be noted that the statutory developments are as follows:

(1) From June 1, 1920, the date of the decision of *Evans* v. *Gore*, holding the Act of 1918 invalid (as

to judges appointed prior to the enactment of a tax act) until November 23, 1921, the date of the enactment of the Act of 1921, there was no tax imposition applicable to a judge appointed prior to the enactment of the taxing Act, and in this period Judge Baker was appointed and qualified. It was, of course, found by the Court below that the Act of 1918 was continued by the Act of 1921 so far as diminution of salaries of Federal judges was concerned, but we believe it clear that such conclusion is erroneous, in view of the repeal language of the Act of 1921. However, for reasons elsewhere stated it is immaterial if there were such continuity.

(2) From November 23, 1921, the date of the enactment of the Act of 1921, to May 29, 1928, the date of the enactment of the Act of 1928, the statute purported to include the salaries of judges, but such was, in light *of Evans* v. *Gore*, as counsel insist, only applicable to judges appointed after the taxing Act, among which Judge Baker was not included. Under *Miles* v. *Graham*, decided on June 1, 1925, later overruled, this Act was ineffective, even as to judges appointed after November 23, 1921.

(3) From May 29, 1928, the date of the enactment of the Act of 1928, until June 6, 1932, there was *no specific inclusion* of Federal judges' salaries in gross income, regardless of the time of their appointment.

(4) From June 6, 1932, the date of the enactment of 1932 Act, until April 12, 1939, the date of the enactment of the Public Salary Tax Act, there was a specific provision that judicial compensation was taxable only as to judges taking office *after* June 6, 1932, an affirmative Congressional declaration rendering Judge Baker's salary non-includable in gross income.

It is, therefore, respectfully submitted—

(a) On April 3, 1921, the date of Judge Baker's qualification, there was no Income Tax Act applicable to his salary, but had there been, there was a later period when no tax act affected his, or any other Federal judge's salary.

(b) From the date of his appointment to April 12, 1939, more than eighteen years, Congressional policy recognized the non-taxable character of his salary, and during a part of that time there was no inclusion of any Federal judge's salary, no matter when he was appointed, and during the last seven years of that period there was a *specific provision* that *only the salaries of judges appointed after June 6, 1932, should be included.*

The Court below failed, we respectfully submit, to give proper effect to the period from June 6, 1932, to 1939, where, without question, Judge Baker's salary was immune under specific Congressional enactment. Assume, solely for the sake of argument, that his salary was subject to tax under the Act of 1919, that the Act of 1921 was a continuance of such Act, that the omission of the inclusive provision of 1928 was immaterial, that for the whole period from his appointment to June 6, 1932, his salary was subject to tax, and that, having assumed office with such taxable status, his salary, as stated by the Tax Court, was "already subject to the diminution" of an income tax. If all such be assumed, still it was not subject to income tax from June 6, 1932, to 1939. This is a controlling and decisive fact, even with the assumptions, and under the reasoning of the Tax Court, and the Circuit Court of Appeals. The Tax Court says in its opinion:

> "The issue then seems to us to narrow to whether when Judge Baker was appointed he was, under the law, already subject to the diminution, if it be such, of an income tax upon his compensation, for, if so, we are unable to distinguish this proceeding from *O'Malley* v. *Woodrough, supra.*"

As will appear from that language, as well as elsewhere in the opinion, the Tax Court assumed that the issue involved a question of diminution as between the status in 1921, when the Judge was appointed, and 1939, when the Public Salary Tax Act was passed. The Tax Court concluded since his salary was subject to tax imposition in 1921, it was subject to diminution, and, therefore, there could be diminishment by the Public Salary Tax Act.

The Circuit Court of Appeals in affirming the Tax Court states:

> "The consequence of the decision in *O'Malley* v. *Woodrough*, supra, as we interpret it, is that the Revenue Act of 1918, like that of 1932, by imposing an income tax on judges' salaries, fixed the salaries for the future at a stated amount less such income taxes as might be imposed. We cannot say that a judge is any the less subject to the tax, because in some years prior to the 1939 Act, Congress did not see fit to impose it. We interpret *O'Malley* v. *Woodrough, supra*, as meaning that the tax on Judge Woodrough's salary could be constitutionally increased along with general increases in income taxes, and, if once reduced, that it could be restored to its original amount, as in the case of other taxes."

It is respectfully submitted that the learned court overlooks that the constitutional provision inhibiting dimin-

ishment is "*during*" the term of office. Any recession from the highest point which a judicial salary reaches is a diminishment, even though it be, when diminished, larger than when the Judge took office. This question is specifically settled by *Booth* v. *United States*, 291 U. S. 339, 78 L. ed. 836, in which the Court uses the following language:

> "In other words, is a diminution after an increase banned, if the compensation notwithstanding the reduction remains in excess of that payable when the incumbent took office? The answer must be in the affirmative."

It is respectfully submitted that the *Booth* case, not cited by the learned Court below, is in direct opposition to the language of its opinion above quoted. The former precedent specifically denies that where a burden upon a judicial salary has been reduced such burden may be restored to its original amount. In the *Booth* case a diminution after an increase was banned. The removal of a tax is equivalent to an increase in the salary taxed. It is the position of the Circuit Court of Appeals that when Judge Baker was appointed his liability for the tax, as established by the Act of 1918 remained in effect under the Revenue Act of 1921. There was no "point of time" when his salary was not made subject to the tax. The consequence of the decision in *O'Malley* v. *Woodrough*, as the Court interpreted it, was that the Revenue Act of 1918 fixed the salaries for the future at a stated amount less such income taxes as might be imposed. Judge Baker's salary at the time he took office was, therefore, $10,000.00 less X$ taxes. However, by Congressional action, he was probably relieved by the 1928 Act, and certainly by the 1932 Act from all income taxes. Such amounted to an increase

in his salary by removing the tax burden, as his salary was no longer $10,000.00 minus X$ but $10,000.00. Afterwards, under the rule of the Booth case the tax could not be reimposed.

The position of Judge Baker is entirely different from that of Judge Graham in *Miles* v. *Graham,* 268 U. S. 501. The latter was appointed on September 1, 1919, after the Act of 1919 had been enacted, and the case was decided on January 1, 1925. If subsequent Revenue Acts up to 1925 be considered as continuances of the Act of 1919, there was a constant statutory burden of diminution upon his salary through income tax, whereas in Judge Baker's case that burden was completely removed by specific Congressional enactment on June 6, 1932. Likewise Judge Baker's situation is different from that of Judge Woodrough, as shown in the case of *O'Malley* v. *Woodrough* later to be discussed. Judge Woodrough qualified as United States Circuit Judge on May 1, 1933, *after* the Act of 1932 which specifically made taxable salaries of judges appointed *after* its enactment.

As stated in the opinion of the Circuit Court of Appeals three decisions of this Court loom large in any consideration of this matter:

> *Evans* v. *Gore,* 253 U. S. 245, 64 L. ed. 887, decided on June 1, 1920;
> *Miles* v. *Graham,* 268 U. S. 501, 69 L. ed. 1067, decided on June 1, 1925; and
> *O'Malley* v. *Woodrough,* 307 U. S. 277, 83 L. ed. 1289, decided on May 22, 1939.

Certainly under these cases there can be no question

as to a tax being a diminution of the salary of a judge appointed prior to the taxing act. Such was specifically decided in *Evans* v. *Gore*, and by implication recognized in the other two cases.

A summary of the three opinions may be made in a few words:

(1) *Evans* v. *Gore* holds that a statute imposing an income tax upon the salary of a Federal Judge is unconstitutional as an unlawful diminution thereof, when applied to a judge taking office prior to its enactment.

(2) *Miles* v. *Graham* holds that such a statute is unconstitutional *in toto* even when applied to the salary of a judge appointed subsequent to its enactment.

(3) *O'Malley* v. *Woodrough* holds that a statute imposing an income tax on a Federal judicial salary is constitutional as applied to a judge appointed subsequent to its enactment, *Miles* v. *Graham* being overruled so far as inconsistent with this holding.

It is believed that no valid distinction may be made as a matter of law between the situation in the present case and that of *Evans* v. *Gore*, even though the position of the learned Court below be correct that under the Acts of 1918 and 1921 there "was no point of time when his (Judge Baker's) salary was not made subject to the tax." That point of time arrived certainly on June 6, 1932, and from 1932 to 1939 there was a complete absence of any taxing statute so far as Judge Baker's salary was concerned. Even if there had been a tax validly applicable to his salary when appointed, such tax was eliminated by Congress and his compen-

sation fixed as free of tax years before the Public Salary Act of 1939.

The latter was an enactment that imposed a tax upon judicial salaries previously tax exempt, and the situation is precisely the same as that in *Evans* v. *Gore*, where the Act of 1918 imposed a tax upon the previously tax-exempt salary of Judge Evans. The respondent is not seeking to tax Judge Baker's salary under the Act of 1918 or the Act of 1921, but under the Act of 1939, and, prior to that Act, there has been a complete freedom of his salary from tax imposition, just as there had been a freedom of Judge Evans' salary prior to the Act of 1918. Each salary had been "compensation" free of tax, and if, as is true under *Evans* v. *Gore*, a subsequent taxing Act be an unconstitutional diminution of a previously immune salary in the case of Judge Evans, such is equally true in the case of the salary of Judge Baker which, prior to 1939, had been immune. It cannot be contended that *O'Malley* v. *Woodrough* overrules *Evans* v. *Gore*. The majority opinion carefully isolates the question before the Court and with equal care limits its holding as applicable only to the case of a judicial salary, the recipient of which had been appointed subsequent to the taxing Act. The issue is stated by the Court as follows on pages 281 and 282 of the official reports (307 U.S.), and pages 1293 and 1294 of Lawyer's Edition (italics ours):

> "Having regard to these circumstances, the question immediately before us is whether Congress exceeded its constitutional power in providing that United States judges *appointed after the Revenue Act of 1932* shall not enjoy immunity from the incidences of taxation to which everyone else within the defined classes of income is subjected."

On pages 282 and 283 of the official reports (page 1294 L. ed.), the Court specifically negatives that it passes upon any question with respect of judges appointed prior to June 6, 1932, saying:

> "After this case came here, Congress, by section 3 of the Public Salary Tax Act of 1939, amended section 22(a) so as to make it applicable to 'judges of courts of the United States who took office on or before June 6, 1932.' That section, however, is not now before us."

Also significantly enough, while *Miles* v. *Graham* was overruled so far as consistent with the current opinion, *Evans* v. *Gore* was not overruled. Therefore, in determining applicability of precedent, two conclusions are inescapable:

(1) This case is precisely within *Evans* v. *Gore* and is governed by it; and

(2) *Evans* v. *Gore* has not been overruled and remains a binding precedent.

It is true that in the majority opinion in *O'Malley* v. *Woodrough* there is language critical of the philosophy of *Evans* v. *Gore*. The significant fact is, however, that the decision of *O'Malley* v. *Woodrough* instead of being carefully limited as heretofore set forth, could well and properly have been based upon the broad conclusion that an income tax, imposed upon any Federal judge's salary, no matter what date his appointment, was not a diminution under Article III, Section 1 of the Constitution. The Court did not do so. Nothing is more frequent than for judges in later decisions to follow precedents that they would not personally have promulgated in the first instance. If a Court be required,

as a matter of judicial conscience, to overrule a precedent of long standing, upon which reliance has been placed, such is never done except with great hesitancy, and never because of the personal opinion of a judge on a mooted question. No case could be visualized in which to disturb the rule of *stare decisis* would be less appealing to a Court. There is here no broad question involving national interest of important constitutional policy. The income tax that Judge Baker and the older Federal judges would pay is negligible so far as national revenue is concerned. As heretofore stated, for many years the members of this small and necessarily decreasing group have relied upon the assurance of the Supreme Court of the United States that throughout all changes of tax imposition, they were assured of a salary undiminished by tax deduction. Under *O'Malley* v. *Woodrough* all judges appointed since June 6, 1932, and hereafter appointed, are subject to the impositions of tax Acts effective at the time of their appointment. In such a situation, would the Court destroy its long standing precedent, even if the members would not have acquiesced in *Evans* v. *Gore* at the time of its rendition? It seems that two *indicia* clearly point to a negative answer:

(a) The Court *did not overrule*, but specifically refrained from overruling *Evans* v. *Gore* in *O'Malley* v. *Woodrough*.

(b) In the opinion of *O'Malley* v. *Woodrough* it is stated:

> "* * * The assessment of the present tax was technically under the Act of 1936, but that Act merely carried forward the provisions of the Act of 1932, for the inclusion of compensation of 'judges of courts of the United States, taking

> office *after June 6, 1932*' which had been similarly incorporated in the Revenue Act of (May 10) 1934 (48 Stat. at L. 680, 686, 687, Chap. 277). Therefore, the power of Congress to include Judge Woodrough's salary as a circuit judge in his 'gross income' must be judged on the basis of the validity of sec. 22 of the Revenue Act of 1932, and not as though that power had been originally asserted by the Revenue Act of 1936. For it was the Act of June 6, 1932, *that gave notice to all judges thereafter to be appointed,* of the new Congressional policy to include the judicial salaries of such judges in the assessment of income taxes." (Italics ours).

The above language clearly reflects that there was in the mind of the Court a fundamental distinction as between judges appointed prior to June 6, 1932, and those thereafter taking office. In any event, if *Evans* v. *Gore* is to be overruled, this Court alone should overrule it, but counsel believes it will not be overruled. It is respectfully submitted, in view of the precedents, the importance of the question and the other considerations here presented that certiorari should be granted.

CONCLUSION

It is respectfully submitted that this Court, in its sound discretion, may appropriately grant the writ of certiorari prayed for and that the petition and brief in support thereof present special and important reasons therefor.

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In the Supreme Court of the United States

OCTOBER TERM, 1945

No. 288

WILLIAM E. BAKER AND MARTHA D. BAKER,
PETITIONERS

v.

COMMISSIONER OF INTERNAL REVENUE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the Tax Court (R. 4–13) is reported at 4 T. C. 307. The opinion of the Circuit Court of Appeals (R. 18–22) is reported at 149 F. 2d 342.

JURISDICTION

The judgment of the Circuit Court of Appeals was entered on May 10, 1945 (R. 22), and the petition for a writ of certiorari was filed on August 1, 1945. This Court has jurisdiction under Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTION PRESENTED

Whether Section 22 (a) of the Internal Revenue Code, as amended by Section 3 of the Public Salary Tax Act of 1939, is constitutional in so far as it provides for taxing compensation paid to a judge of a District Court of the United States who qualified for the office on April 3, 1921.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Constitution of the United States:

ARTICLE I

SECTION 8. The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises * * *

* * * * *

ARTICLE III

SECTION 1. The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish. The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office.

AMENDMENT 16

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment

among the several States, and without regard to any census or enumeration.

Public Salary Tax Act of 1939, c. 59, 53 Stat. 574:

> SEC. 3. Section 22 (a) of the Internal Revenue Code is amended by adding at the end thereof a new sentence to read as follows: "In the case of judges of courts of the United States who took office on or before June 6, 1932, the compensation received as such shall be included in gross income" (26 U. S. C. Sec. 22).
>
> SEC. 209. In the case of the judges of the Supreme Court, and of the inferior courts of the United States created under article III of the Constitution, who took office on or before June 6, 1932, the compensation received as such shall not be subject to income tax under the Revenue Act of 1938 or any prior revenue Act.

STATEMENT

The petitioner William E. Baker, referred to in this brief as the taxpayer,[1] qualified for the office of judge of the District Court of the United States for the Northern District of West Virginia on April 3, 1921, and since that time has continued in office and performed its functions (R. 15).

In each of the years 1939, 1940, and 1941, the taxpayer received for his services as judge the

[1] Martha D. Baker, the taxpayer's wife, is co-petitioner since joint returns were filed for the years in question (R. 14).

aggregate amount of $10,000, as provided by law (R. 15). In his returns for those years, the taxpayer disclosed the receipt of those payments, but claimed that they were exempt from tax, and did not include them in gross income or pay any tax on them. If they were not includible in his gross income, he had no taxable income in any of the years involved. (R. 15.) The Commissioner included the payment in the taxpayer's gross income for each of the years 1939, 1940, and 1941, and accordingly determined a deficiency in income tax for each year (R. 14, 15). The Commissioner's determinations were sustained by the Tax Court (R. 4–12) and by the court below (R. 18–22).

ARGUMENT

1. The court below correctly decided that this case is controlled by *O'Malley* v. *Woodrough*, 307 U. S. 277, and not by *Evans* v. *Gore*, 253 U. S. 245. Like Judge Woodrough and unlike Judge Evans, the taxpayer was subject to federal income tax on his compensation at the time he qualified for office.

When the taxpayer qualified for office on April 3, 1921 (R. 15), Section 213 (a) of the Revenue Act of 1918, c. 18, 40 Stat. 1057, required that compensation received as a federal judge be included in gross income for purposes of determining the amount of the Federal income tax. Section 213 (a) of the Revenue Act of 1921, c. 136, 42 Stat. 227, approved on November 23, 1921,

retained this provision; Section 200 (1) thereof made the tax applicable to the calendar year 1921 and subsequent years. Thus the tax remained continuously in effect although Section 1400 (a) of the Revenue Act of 1921 repealed the income-tax provisions of the Revenue Act of 1918, as of January 1, 1921. The provision for taxing the salaries of federal judges was also carried into Section 213 (a) of the Revenue Acts of 1924 and 1926. While it was omitted from the Revenue Act of 1928, this was done because Congress believed that the salaries of federal judges were included within the general definition of gross income in Section 22 (a) thereof, to the extent that the Constitution permitted them to be taxed. H. Rep. No. 2, 70th Cong., 1st Sess., p. 13 (1939–1 Cum. Bull. (Part 2) 384, 392); S. Rep. No. 960, 70th Cong., 1st Sess., p. 19 (1939–1 Cum. Bull. (Part 2) 409, 422).

Under the decision in *O'Malley* v. *Woodrough, supra,* the provision for taxing the taxpayer's salary in effect at the time he qualified for office must be taken to have entitled him to his salary at the amount stated, less whatever general federal income taxes might be imposed from time to time. Cf. *Milliken* v. *United States,* 283 U. S. 15. It is of no moment that the taxpayer's salary was freed from tax by Section 22 (a) of the Revenue Act of 1932, c. 209, 47 Stat. 169, and remained free until the enactment of Section 3 of the Public Salary Tax Act of 1939. If Congress could increase the

amount of tax, it could also reimpose the tax after suspending it for a period of time after the taxpayer qualified for office. The taxpayer's reliance on *Booth* v. *United States,* 291 U. S. 339, is misplaced, since that case did not involve a general tax on income, but a measure providing particularly for a reduction in the salaries of federal judges.

2. In view of the manifest correctness of the decision of the court below that this case is controlled by *O'Malley* v. *Woodrough, supra,* it seems unnecessary to state our reasons for believing that the decision in *Evans* v. *Gore, supra,* is no longer tenable. Compare *Oklahoma Tax Comm'n* v. *United States,* 319 U. S. 598, 610.

CONCLUSION

The decision of the court below is correct, involves no conflict in decisions, and does not call for further review. The petition should therefore be denied.

Respectfully submitted.

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AUGUST 1945.

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